



RELIANCE
CHEMOTEX INDUSTRIES LIMITED

RCIL/SEC/19-20/

Dated: 19.09.2019

To,

BSE Limited
24 Pheroze Jeejeebhoy Tower,
Dalal Street,
Mumbai-400001

Subject- Intimation Under Regulation 30 of SEBI (Listing Obligation And Disclosure Requirement) Regulation, 2015- Revision Credit Rating.

Dear Sir,

Pursuant to Regulation 30 and Schedule III of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 and as per the policy on determination of materiality of event. We would like to Inform that ICRA has restated the Long Term Rating ICRA BB+. The outlook on the long term rating is revised to "Positive" and Short Term Rating ICRA A4+. Copy of letter along with rational enclosed for your reference.

This is for your Information and necessary Record.

Thanking You,
For Reliance Chemotex Industries Limited

(Vimal Tank)
Company Secretary and Compliance Officer



ICRA

CONFIDENTIAL

ICRA Limited
Ref:2019-20/MUM/1142
Date: September 18, 2019

Mr. Sanjiv Shroff
Managing Director
Reliance Chemotex Industries Limited
27, Jolly Maker Chambers No. 2,
Nariman Point,
Mumbai - 400 021

Dear Sir,

Re: Surveillance of ICRA-assigned Credit Rating for Rs. 122.92 crore Line of Credit of Reliance Chemotex Industries Limited (instrument details in Annexure)

Please refer the Rating Agreement dated July 31, 2014 between ICRA Limited ("ICRA") and your company, whereby, ICRA is required to review the ratings assigned to your company on an annual basis or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration, has reaffirmed the long-term rating for the captioned Line of Credit (LOC) at **[ICRA]BB+** (pronounced ICRA double B plus).[†] The Outlook on the long-term rating is revised to **'Positive'**. The Rating Committee of ICRA has also reaffirmed the short-term rating for the captioned LOC at **[ICRA]A4+** (pronounced ICRA A four plus).

The aforesaid ratings will be due for surveillance anytime before 30th September 2019.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed in circular dated June 30, 2017 on 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)' issued by the Securities and Exchange Board of India.

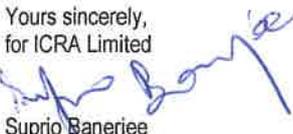
You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,
for ICRA Limited


Suprio Banerjee
Vice President
supriob@icraindia.com



Srinivas Menon
Senior Analyst
srinivas.menon@icraindia.com

[†] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

Electric Mansion, 3rd Floor
Appasaheb Marathe Marg
Prabhadevi, Mumbai-400025

Tel. : +91.22.61693300
CIN : L74999DL1991PLC042749

Website : www.icra.in
Email : info@icraindia.com
Helpdesk : +91.124.3341580

Registered Office : 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

RATING • RESEARCH • INFORMATION

85880



'No Default Statement on the Company Letter Head'

To
<CRA Name and Address>

Dear Sir/ Madam,

1. We hereby Confirm that as on date there are no Over dues or default on our debt obligations
2. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our debt obligations.
3. We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <Month and Year name>.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
5. We also confirm that there has been no overdraw of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
6. Details of delay/ default/ rescheduling of interest or principal as on date/ in the month ended<Month and Year name> , in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You,

Yours faithfully,

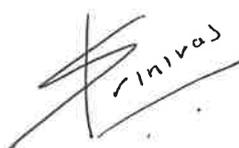
<Authorized Signatory of Issuer>

Annexure

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)	Bank/Lender	Amount (Rs. crore)	Rating	Rating Assigned on
Term Loan	State Bank of India	2.03	[ICRA]BB+ (Positive)	September 2019
Term Loan	Rajasthan State Industrial Development and Investment Corporation	4.68	[ICRA]BB+ (Positive)	September 2019
Term Loan	Exim Bank	7.05	[ICRA]BB+ (Positive)	September 2019
Cash Credit	State Bank of India	25.00	[ICRA]BB+ (Positive)	September 2019
Cash Credit	ICICI Bank	5.00	[ICRA]BB+ (Positive)	September 2019
Cash Credit	IDBI	3.00	[ICRA]BB+ (Positive)	September 2019
Total		46.76		

Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)	Bank/Lender	Amount (Rs. crore)	Rating	Rating Assigned on
Stand by Letter of Credit	State Bank of India	2.00	[ICRA]A4+	September 2019
Letter of Credit	ICICI Bank	20.00	[ICRA]A4+	September 2019
Letter of Credit	IDBI	10.00	[ICRA]A4+	September 2019
Credit Exposure Limit	State Bank of India	2.50	[ICRA]A4+	September 2019
Credit Exposure Limit	ICICI Bank	2.00	[ICRA]A4+	September 2019
Credit Exposure Limit	IDBI	1.00	[ICRA]A4+	September 2019
Total		37.50		

Details of Bank Limits Rated by ICRA (Rated on Long and Short-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
Unallocated Limits	38.66	[ICRA]BB+ (Positive)/ [ICRA]A4+	September 2019
Total	38.66		

September 18, 2019

Reliance Chemotex Industries Limited: Ratings reaffirmed; Outlook revised to 'Positive'

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	19.47	13.76	[ICRA]BB+; Reaffirmed, Outlook revised to Positive from Stable
Cash Credit	33.00	33.00	[ICRA]BB+; Reaffirmed, Outlook revised to Positive from Stable
Standby Limit	3.00	2.00	[ICRA]A4+; Reaffirmed
Non-fund Based Limits	35.50	35.50	[ICRA]A4+; Reaffirmed
Unallocated Limit	31.95	38.66	[ICRA]BB+ / [ICRA]A4+; Reaffirmed, Outlook revised to Positive from Stable
Total	122.92	122.92	

*Instrument details are provided in Annexure-1

Rationale

The revision in outlook to 'positive' reflects the strengthening of networth and expected improvement in the Reliance Chemotex Industries Limited (RCIL)'s coverage indicators in the near term attributable to the full redemption of preference shares amounting to Rs. 23.08 crore in August 2019, leading to savings on dividend outflow (on preference shares) in the business. Also, the redemption of preference shares was fully funded by raising equity of Rs.23.16 crore through the rights issue in July 2019, thereby supporting the capital structure. ICRA notes that RCIL in the near term has planned for a debt funded capex of ~Rs 52 crore which will enable the company to manufacture various value-added yarn which command higher margin. Though the capex is debt funded, low interest rates under state policy scheme and ballooning repayment regime provides some comfort. However, commensurate returns and benefits from the capex in term of cost efficiencies would be the key monitorable in the near term. ICRA also notes that there is also a likelihood of reduction in power costs based on the tariff petition submitted by power DISCOM backed by textile company's representation to the regulator (Rajasthan Electricity Regulatory Commission) for reduction in tariff for power intensive industries like Textiles, which if approved is likely to lead to notable reduction in the power cost going forward. The ratings continue to reflect the extensive experience of the company's promoters in the textile industry, its diversified geographical presence and company's low working capital intensity of business driven by the prudent working capital management with favourable receivable cycle.

The ratings, however, remain constrained by the vulnerability of company's profitability to adverse fluctuations in the raw material prices, and limited bargaining power with its suppliers, in an intensively competitive manmade yarn industry which limits pricing flexibility. The ratings also take note of the company's exposure to foreign exchange rate risk given the presence of sizable exports in the business though the risk is mitigated to an extent by active forward hedging. The ratings also take note of the low DSCR of 1.02X as on March 31,2019 given the high repayment obligation which is tightly matched with the net accruals in FY2019, and average coverage indicators.

Key rating drivers and their description

Credit strengths

Established track record of promoters in the textile industry - The promoter, Mr. S.L. Shroff and family has been in textile business for over four decades. Over the years the company has established strong relationship with prominent suppliers in the domestic market. Furthermore, the company has developed a strong clientele in both domestic and international market which has diversified company geographical presence and has also resulted in repeat orders.

Comfortable capital structure which is further likely to improve in the current year due to full redemption of preference share and infusion of equity from rights issue - As on March 31, 2019 the company's capital structure remain comfortable as indicated by a gearing of 1.2X driven by controlled working capital borrowings. In August 2019, the company fully redeemed the preference shares amounting to Rs.23.08 crore leading to reduction in debt levels. Also, the redemption of preference shares was fully funded by raising equity of Rs.23.16 crore through the rights issue in July 2019, thereby strengthening the company's networth base which is likely to improve the capital structure in the near term.

Healthy growth in operating income backed by improved sale realisation and volumes coupled with improvement in operating profitability driven by favourable product mix - In FY2019, RCIL recorded a revenue growth of ~14% in the OI to Rs.324.4 crore in FY2019 from Rs.284.5 crore in FY2018 due to improvement in the sales volume and realisation. Further, with the increasing share of higher margin commanding value add yarn in the product mix and better absorption of fixed costs with increase in the scale of operation has enabled the company to improve its operating margin to 8.2% in FY2019 from 6.9% in FY2018.

Various benefit reaped under technology upgradation fund scheme (TUFS) of Central Govt. and good borrower scheme of Rajasthan State Industrial Development & Investment Cooperation - The company is eligible under various central & state government incentives such as interest subsidy benefits under TUF (Technology Upgradation Fund Scheme) and good borrow schemes that effectively reduces the interest cost and payback period to a large extent.

Credit challenges

Relatively average coverage indicators and debt protection metrics - The company's coverage indicators continue to remain relatively average, with interest coverage of 2.0X and TD/OPBDIT of 3.1X in FY2019 although it has improved from interest coverage of 1.6X and TD/OPBDIT of 4.8X in FY2018 due to improvement in the operating profitability. Further, the full redemption of preference shares amounting to Rs. 23.08 crore in August 2019, will lead to savings on dividend outflow in the business during FY2020.

Profitability vulnerable to raw material price movements, due to low bargaining power, power cost and forex fluctuations - The company's key raw materials include polyester staple fibre (PSF), viscose staple fibre (VSF) and acrylic fibre. The raw material procurement is mainly made from the domestic market. The raw material prices are primarily controlled by the large suppliers, offering RCIL limited bargaining power and pricing flexibility. Though the company is steadily diversifying its supplier base to improve its bargaining power. Also, VSF which forms ~60% of the raw material cost continue to chart stable price in comparison to prices of PSF which has remained volatile in the past. Being a net exporter, there is exposure to forex movements (Euro and US dollar). The company has a net foreign receivable position and primarily hedges its receivables through forward contracts. The active forex-hedging mechanism reduces the susceptibility of margins to unfavourable forex movement risks to a large extent.

Near term debt funded capex likely to keep return indicators weak; adequate returns from ongoing capex critical for overall improvement in financial profile - RCIL has regularly invested in capex over the last few years and has another capacity expansion plan over the near term. The company is expected to incur a capex of Rs. 52.00 crore in two phases, which will be funded through a mix of debt and, unsecured loan from promoters and internal accruals. The phase I of said capex was initially planned to be undertaken in FY2019, however, given the challenging market condition and the general election year in India dissuaded the company to go ahead with the capex. However, the said capex is likely to commence in the current year. Given the debt-funded nature of the capex, the external long-term debt levels are expected to rise in the near term. The planned capex to (modernise a part of the vintage spindles) is expected to be operational by FY2021 and will lead to better production efficiencies and output. ICRA draws comfort from the ballooning repayment schedule and low effective interest on the sanctioned loan, which enhances the overall project viability. However, lack of commensurate returns from the capex will negatively impact the key credit metrics.

Intense competition in the textile industry - RCIL faces competition from international as well as domestic yarn manufacturers. In the domestic market, there is intense competition and fragmentation, limiting the pricing power of the textile companies and affecting their margins.

Liquidity position: Adequate

The repayment for the next three fiscals are in the range of Rs. 5-8 crore. which is should be comfortably covered by the cash accruals going forward, though for FY2019, cash accrual was tightly matched with the repayment. Further, the working capital utilisation in the last 7 months remain at ~66% of sanctioned limits indicating adequate buffer of undrawn line of credit. Also, RCIL 's near term debt funded capex will have favourable repayment terms and subsidized interest rate which are likely to support the cash flows.

Rating sensitivities

Positive triggers - ICRA could upgrade RCIL's rating if the company demonstrates a steady improvement in profitability by better management of overhead costs and generate healthy return from the capex which is expected to improve the return indicators in the near term. Improvement in adjusted interest coverage of over 3.5 times coupled with DSCR of over 1.5X on sustained basis shall trigger an upgrade revision.

Negative triggers - Negative pressure on RCIL's rating could arise if, company's if the operating margin weaken and any inability to generate commensurate return from its debt funded capex. Also, company's inability to maintain interest coverage above 2.5 times and DSCR of 1.2X on sustained basis shall trigger a downward revision in ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Indian textiles Industry - Spinning
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Incorporated in 1977, RCIL manufactures synthetic and blended yarn. The company's product count ranges from Ne 6s to Ne 50s in single, double and multi-ply yarn. RCIL is promoted by Mr. S.L. Shroff. His son, Mr. Sanjiv Shroff, is the company's Managing Director at present. RCIL's shares have been listed on the Bombay Stock Exchange since 2001.

Based out of Mumbai, the company has branch offices in Kolkata and Delhi, while its manufacturing facility is in Udaipur, Rajasthan, with an installed capacity of 53,280 spindles.

In FY2019, the company has booked a net profit of Rs.4.1 crore on an operating income of Rs.324.4 crore against a net profit of Rs.2.6 crore on an operating income of 284.5 crore in FY2018.

Key financial indicators

	FY2018 (Audited)	FY2019 (Audited)
Operating Income (Rs. crore)	284.5	324.4
PAT (Rs. crore)	2.6	4.1
OPBDIT/OI (%)	6.9%	8.2%
RoCE (%)	8.4%	12.3%
Total Outside Liabilities/Tangible Net Worth (times)	2.2	2.3
Total Debt/OPBDIT (times)	4.8	3.1
Interest Coverage (times)	1.6	2.0
DSCR (exl. STD/prepayment)	0.8	1.0

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2020)	Chronology of Rating History for the Past 3 Years							
		Amount Rated (Rs. crore)	Amount Outstanding as of July 2019 (Rs. crore)	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2017	Date & Rating in FY2017	Date & Rating in FY2017
	Type			18-Sep-19	03-Jan-19	15-Feb-18	10-Feb-17	24-Jun-16	
1	Term Loans	Long Term	13.76	13.76	[ICRA]BB+ (Positive)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)
2	Cash Credit	Long Term	33.00	-	[ICRA]BB+ (Positive)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)
3	Standby Limit	Short Term	2.00	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
4	Non-fund Based Limits	Short Term	35.50	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
5	Unallocated Limit	Long and Short Term	38.66	-	[ICRA]BB+ (Positive)/ [ICRA]A4+	[ICRA]BB+ (Stable)/ [ICRA]A4+	[ICRA]BB+ (Stable)/ [ICRA]A4+	-	-

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2015	~12%	FY2019-2023	13.76	[ICRA]BB+(Positive)
NA	Cash Credit	NA	NA	-	33.00	[ICRA]BB+(Positive)
NA	Standby Limit	NA	NA	-	2.00	[ICRA]A4+
NA	Non-fund Based Limits	NA	NA	-	35.50	[ICRA]A4+
NA	Unallocated Limit	NA	NA	-	38.66	[ICRA]BB+(Positive) / [ICRA]A4+

Source: RCIL

Annexure-2: List of entities considered for consolidated analysis: Not applicable

Analyst Contacts

K. Ravichandran

+91 44 4596 4301
ravichandran@icraindia.com

Suprio Banerjee

+91 22 6114 3443
supriob@icraindia.com

Srinivas Menon

+91 22 6169 3354
srinivas.menon@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents